Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
Petition of Iowa Telecommunications Services for Forbearance from the Deadline for Price Cap Carriers to Elect Interstate Access Rates Based on the *Calls Order* or a Forward Looking Cost Study	)	CC 01-331

COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby respectfully submits its comments on Iowa Telecommunications Services' (ITS) Petition for Forbearance from the deadline for price cap carriers to elect interstate access rates based on the *Calls order* or a forward looking cost study.[1] As discussed below, Sprint opposes the Petition, particularly with regard to ITS' claim that the Synthesis Model is preferred, or even acceptable, as a method for calculating forward-looking access costs. This model was designed for calculating the forward-looking economic costs of large LECs offering basic local service specifically for use in the FCC's non-rural high-cost universal service mechanism, not for setting access rates.

[1] Iowa Telecommunications Services' Emergency Petition for Forbearance filed Nov. 26, 2001 ("ITS Petition").

Background

In this pleading cycle, the Commission seeks comment on a forbearance request ITS to change its interstate access charge election from the rate levels prescribed in the FCC's CALLS order[2] to rates reflected in cost studies for its average traffic-sensitive (ATS) rates. "Price cap" local exchange carriers were required to make this election in September 2000[3]. Alternatively, ITS requests that the Commission forbear from enforcing the target rate for the ATS charge prescribed in section 61.3(qq) of its rules, 47 C.F.R. § 61.3(qq).

Discussion

While Sprint views ITS' petition for forbearance as generally unsupported, Sprint is particularly concerned with ITS' use of the FCC's universal service proxy model ("Synthesis Model") as the basis for local switching and switched transport rates. Specifically, Sprint wishes to point out that ITS is incorrect in stating that "the Synthesis Model thus is the Commission's preferred cost model for determining TELRIC, including TELRIC-based rates for interstate access."[4] Sprint was an active participant in every stage of the Synthesis Model's long development process. Throughout this process, it was clear to both Sprint and the Commission that the model's sole intended purpose was to estimate the forward-looking costs of providing basic local service in order to

[2] *See* Access Charge Reform, CC Docket No. 96-262, Sixth Report and Order, 15 FCC Rcd 12962, 12984 (2000) (*CALLS Order*), *aff'd in part, rev'd in part*, *Texas Office of Public Utility Counsel v. FCC*, 265 F.3d 313 (5th Cir. 2001).
[3] *See* Access Charge Reform, CC Docket No. 96-262, Order, 15 FCC Rcd 23435, 23437-38 (CCB 2000).
[4] ITS Petition at 30.Technically, the Synthesis Model is not a TELRIC model. It is a model that estimated the *forward-looking economic cost* (FLEC) of basic service, and FLEC can be defined as TSLRIC [not TELRIC in this case] plus a share of joint and common costs. This distinction, economic cost vs. TELRIC

determine USF subsidy amounts. The model was never intended to be used for estimating the costs of unbundled network elements, and was certainly never intended to be used to set service prices for individual companies. In fact, the switching and transport modules of the model were deemed acceptable for use in CC Docket 96-45/97-160 specifically because switching and transport are relatively minor components of the cost of basic local service.

As Sprint has pointed out to the Commission in the past, on average, switching and transport account for less than five percent (each) of the cost of basic local service. With the elimination of the carrier common line charge under the CALLS plan, switching and transport services account for almost all of the cost of carrier switched access service. As such, the lack of detail that is found in the switching and transport components of the Synthesis Model does not significantly affect the costs of basic service that the model was designed to produce. However, it greatly affects any switched access costs that a party such as ITS may use the model to calculate. The Commission itself acknowledged this fact in its Fifth Report and Order, stating:

> In our evaluation of the switching modules in this proceeding, we note that, for universal service purposes, where cost differences caused by differing loop lengths are the most significant cost factor, switching costs are less significant than they would be in, for example, a cost model to determine unbundled network element switching and transport costs.[5]

Because of the de minimus impact on the overall cost of basic service, the Commission was willing to accept certain shortcomings with regard to specificity and

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or TSLRIC alone is discussed the First Report and Order on Universal Service, CC Docket 96-98 ¶¶ 675-679).

[5] Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket No. 97-160, Fifth Report and Order, 13 FCC Rcd 21323, 21355 ("*Fifth Report and Order"*).

detail that the switching and transport modules exhibited.[6] However, in order to produce accurate and acceptable forward-looking costs for switched access, these missing details must be considered.

In addition to incorrectly applying the model platform, Sprint notes that ITS used the general default, nationwide inputs to the model for its cost estimation. Since the beginning of the model development process, Sprint has advocated the use of company-specific, forward-looking cost inputs and has adamantly held that nationwide default proxy cost inputs do not accurately depict the efficient costs incurred by individual companies in serving their respective operating territories.[7] Although the Commission adopted a single set of nationwide values to use in the Synthesis Model (over Sprint's objections), the Commission acknowledged that the justification for this choice was solely applicable to Federal universal service. In it's Tenth Report and Order ("Input Order"), the Commission stated:

> For universal service purposes, we find that using nationwide averages is appropriate. The Commission has not considered what type of input values, company-specific or nationwide, nor what specific input values, would be appropriate for any other purposes…it may not be appropriate to use nationwide values for other purposes, such as determining prices for unbundled network elements. We caution parties from making any claims in other proceedings based upon the input values we adopt in this Order.[8]

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[6] Among these shortcomings are: 1) an inordinate dependence of the number of lines as a primary cost driver, 2) insufficient attention to switch-specific traffic parameters, 3) insufficient attention to technology choices, 4) misapplication of a constant percentage for a split between traffic sensitive and non-traffic sensitive switch investment.

[7] *See* Sprint Comments on *Fifth Report and Order*, explaining in detail why variations in costs due to the scale or size of the provider do not represent differences in efficiency.

[8] Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Forward-looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket No. 97-160, Tenth Report and Order, 14 FCC Rcd 20156, 20172 (1999) ("Tenth Report and Order"), Aff'd Quest Corp. v. FCC, 258 F. 3d 1191 (10th Cir. 2001).

Thus, while the Synthesis Model may represent the Commission's preferred method for calculating the forward-looking economic costs of large LECs offering basic local service for universal service purposes, there is no support for ITS' claim that the Synthesis Model is preferred, or even acceptable, as a method for calculating local switching and local transport access prices. The Emergency Petition for forbearance should be denied.

Respectfully submitted,

Sprint Corporation

By: __/s/_____

Jay C. Keithley
Rikke K. Davis
401 9th Street, NW
Washington, DC 20004
(202) 585-1920

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Its Attorneys